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Pay for Performance Activities in Medicaid

What is Pay for Performance?

Over the past decade, pay for performance (P4P) programs have emerged as a promising strategy to improve the quality and cost-effectiveness of care for Medicaid and Children's Health Insurance (CHIP) programs. State purchasers and managed care plans across the country are linking physician reimbursement and non-monetary rewards to improve the quality of care for Medicaid patients.

To date, most P4P initiatives have been applied at the health plan level, rewarding health plans that meet defined targets rather than offering incentives directly to physicians. However, Medicaid agencies are increasingly using physician and hospital-level P4P initiatives to align payment and non-financial incentives with higher quality.

Pay for Performance can refer to a wide variety of program types, varying both by what is rewarded and what constitutes a reward. The "pay" in P4P can refer to monetary payment for the achievement of pre-specified goals, the use of non-monetary incentives such as public reporting and recognition, or other incentives such as referral of members to a plan or provider.

How do States Decide what P4P Programs to Implement?

P4P programs are designed to change behaviors, whether those be of health plans or of physicians or hospitals or any other provider in the health care system. As applied to physicians, as we plan for a service delivery system focused on quality, some questions we will ask include:

- What aspects of our health care delivery system do we want to improve?
- What behaviors do we want to change?
- Which physicians will be affected?
- What are the pros and cons of targeting individual physicians or groups?

- What do we want as an outcome of our P4P initiative?

The structure of P4P will vary according to who is eligible for incentives (e.g. health plans, medical groups or individual physicians), the performance required to receive an incentive payment (the performance target) and the method used to structure the incentives. Once the State has identified the target physician population and the targeted behavior change, it must determine a number of other interrelated design issues including the reward structure, the measure(s) to be used, and the data collection process.

For example, the State could choose to implement an incentive that focuses on state or health plan priorities, a particular demographic within the enrolled membership or the need for improved care or access to care.

P4P in New Mexico

New Mexico current uses a form of P4P in its contracts with the Managed Care Organizations (MC0s). There is a contract provision known as the ñchallenge fundò in which a portion of the capitation payments made to the plans is withheld and only paid out if plans meet identified performance goals; the goals include a variety of measures designed to encourage quality. While the approach has shown some success, the Medical Assistance Division believes there is room for improvement and wishes to pursue additional strategies.

Which States are Using P4P Incentives?

Well over half of the States have either physician level and/or plan level P4P programs in place. Some examples include:

- Maine: Maine uses a combination of physician profiling and incentive payments for primary care physicians. Some examples of the types of measures Maine uses to identify its top performing PCPs include: the average number of EPSDT encounter per patient per year; adolescent well-care visits; cervical cancer screenings, diabetes retinal exams and lead screening rates.

- Massachusetts: Massachusetts also does profiling on key measures for its primary care physicians for each practice that has 200 or more Medicaid members. Bonuses are paid based on physicianôs meeting of certain targets much as those described above in Maine.

- Arizona: Arizona has a series of bonus payments to doctors who meet key performance indicators related to care provided to those with chronic illnesses.

- California: California uses multiple P4P programs and focuses on rewarding health plans that perform well by auto-assigning members that donôt choose a

plan to the plans with the highest quality ratings. Some of the measure California uses include: childhood immunization status, well-child visits, adolescent well-care visits; timeliness of prenatal care and use of appropriate medications for people with asthma.

- Oklahoma: The State focuses its P4P program on bonus payments to doctors who complete all EPSDT requirements. The state has seen its EPSDT rates improve by more than 20 percent since the program started.

- Pennsylvania: The incentive program is targeted to physician participation in and cooperation with disease management programs for patients with chronic illnesses.

- Michigan: Michiganôs program is targeted towards its Medicaid health plans and uses a combination of withholds and bonuses to drive performance in certain quality indicators.

- Rhode Island: Rhode Island has a P4P program targeted towards physicians who keep longer office hours or staff clinics or, in other ways, encourage more access to primary care and help keep their patients out of emergency rooms.

- Florida: Florida has implemented a P4P program that rewards plans with excellent quality scores by auto-assigning members who do not choose a plan. Florida also rewards primary care physicians who improve their EPSDT compliance.

The Benefits of P4P

The Centers for Medicare and Medicaid Services (CMS) defines pay for performance as ñthe use of payment methods and other incentives to encourage quality improvement and patient-focused high value care.ò Both public and private sector health care purchasers are increasingly focused on these values; providing access to quality care that results in a healthier population and pays for outcomes rather than the units of care provided. However, P4P is still a relatively new approach and programs are being studied intensively to identify the types and amounts of incentives that are most effective. Early involvement of the physician community is essential as is reliable baseline data and agreement on appropriate measurements and performance indicators. All of these factors suggest that starting small and building over time is the best strategy. Done properly, the benefits of P4P include:

- More focus by plans, physicians and hospitals on key wellness indicators;
- Reduced costs in the deeper end of the health care system;
- Inclusion of physicians, hospitals and consumers in decisions about appropriate care.

Improving P4P in New Mexico

The State will be reviewing its existing P4P program as well as those operating in other states. One goal will be to move beyond a P4P program focused solely on health plans and work with physicians and hospitals to develop further incentive programs through which the State can advance its objectives for better health outcomes for New Mexico.